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SPEECH

OF

Hon. WILLIAM J. GAYNOR

Mayor of New York City

**At the Convention of the Atlantic Deeper Waterways Association
At Richmond, Virginia, Wednesday, October 18, 1911**

**FREIGHT RATE FAVORITISM THE MOTHER
OF MONOPOLIES**

**THE FOLLY OF TRYING TO REGULATE
COMMERCE BY LAWS OR
JUDICIAL DECISIONS**

1833

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Mr. Chairman, Ladies and Gentlemen of the Inside Waterways Convention:

After all that has been said by preceding speakers, including the several introductory speeches of the chairman, nothing is now more evident than that there is nothing left for me to say. At last I concluded that I would speak of the Erie Canal, but the chairman in introducing me has even taken that away from me (Laughter). I see now how unnecessary it was for me to be here (Laughter). I am introduced as Mayor of the third largest municipality. Perhaps I may be permitted to say that the City of New York happens to be the largest municipality in the world instead of the third (Applause). I am not reckoning any Asiatic cities. The city of London has a resident population of less than 29,000 people, and the Lord Mayor, outside of his social duties, has less to do than the poundmaster of Richmond. The great aggregation of houses which the world ordinarily calls London is not one municipality and has no mayor. It is an amalgamation of many boroughs and parishes, with many subdivisions of government under different jurisdictions instead of under one municipal entity.

I came over here with my mind burdened about the affairs of my own government—affairs hard enough to deal with without some people conspiring to make them even harder (Laughter). The principal thing I had on my mind when I got into the train was whether I should approve an act of the Legislature to give equal pay to the

men and women teachers of New York; for you know that all acts of the Legislature of the State of New York relating to a city have to be approved of by the Mayor. I have a notion to organize you into a convention on the question of equal pay and see how you would decide it (Laughter). That might relieve me of a lot of bother. Or I think I may organize the women present into such a convention, if I were certain that the women teachers of New York would be satisfied with that. It may be that they would be better satisfied to have the men decide the question (Laughter).

INSIDE WATER ROUTE FROM BOSTON TO FLORIDA.

It is really unnecessary for anyone to say anything about this waterways system which you advocate. You only need to take the map and look at it to see that it is a complete scheme in itself and entirely feasible. It does not need argument. Beginning at Boston and thence by a canal across Cape Cod is one way to start. Another way is from Boston to Narragansett Bay by canal. In either case you continue on, and through Long Island Sound to New York City, thence into Raritan Bay, New Jersey, and across New Jersey and Pennsylvania mostly by inland tide waters, and thence through Hampton Roads and Chesapeake Bay, the grandest inside waters I ever saw (Applause). And so on from one sound, bay and tidal river to another, with here and there a short connecting canal to be cut, until you come to the peninsula of Florida itself. And thus you have a complete inside waterway along the coast from Boston to Florida. To open it up and avoid the dangers on the outside would be of the utmost advantage to commerce, to say nothing of the lighter and simpler vessels which could be used, and other things which occur to you more readily than to me. That it would pay on an investment greater than anything that has been mentioned here is obvious, and the carrying of freight will be made

much cheaper than it is now, although I do not always agree that to reduce a thing to a basis of absolute cheapness is a benefit to commerce or to human kind (Applause). There have been many overstatements on that head by economists, it seems to me.

THE PORT OF NEW YORK.

I am down on your programme to say something about the Port of New York. I would much prefer to leave that to the Dock Commissioner of New York, Mr. Calvin Tomkins, who is next to address you, and who will say something worth hearing. I wish you could see and hear all the heads of departments whom I have appointed in the City of New York. If you read the Hearst newspapers you might think they were a lot of thugs instead of, one and all, educated and accomplished gentlemen, each in his own line (Great applause). The great problem in the Port of New York is to have facilities for the commerce which goes through there, the great commercial city of America and very soon, I suppose, of the world. Many large docks have been built by the city in recent years. And yet we had no dock in the Borough of Manhattan (I do not say in the City of New York) long enough to receive the Olympic steamship. The problem of longer docks there is now under careful consideration. We must extend further out into the Hudson River, or else inshore to get longer docks. The United States Government refuses to permit us to extend further out. It allowed only temporary extensions to receive the Olympic and her sister ships. Favorable points are being located along the river for the extensions of docks inshore. In the Borough of Brooklyn there are recently built city docks and private docks long enough to receive any vessel likely to be built in future years. We have there one of the greatest dock developments in the world. I hope you will not fail to look at it when you are at New York. They are not yet used by the great ocean passenger steamers because

they are rather remote from the hotel centre. Better transit facilities will do away with that objection in time.

RAILROAD DISCRIMINATION AGAINST NEW YORK.

There is one matter you will not blame me for mentioning, and that is the railroad freight rate discrimination or differential against the City of New York in favor of other cities. The railroads charge three cents more the hundred pounds on ocean freight to New York City than on ocean freight to Baltimore, Newport News and Norfolk, and two cents the hundred pounds more than to Philadelphia. We see neither morality nor economic reason in this. It is one of those artificial interferences with the natural course of commerce which have always worked injury and mischief instead of benefit to commerce as was intended. The whole family of such commercial interferences were so scathed and blasted by Buckle in his "*History of Civilization*" that it is difficult to understand how any of them, or the false principle on which they all rest, survives among us to-day. He said—and it is timely to repeat it in view of the trend and doings of government of recent years in this country—that instead of leaving commerce and industry to take their natural course, they had been interfered with by laws, all intended for the good of commerce, but all inflicting serious harm upon it instead (Applause). And I need not say further to picked men of affairs like you that the decisions of the courts prescribing and enforcing similar regulations and interferences in past generations, and up to date, only resulted in like mischief. That which appeared to Chief Justice Kenyon and his associates in England in their day to be necessary and wise in regulating commerce had to be discarded by the nation as absurd afterwards. What say you? Will the statutes and court-decisions of our generation which are trying to interfere with the natural course of commerce and business be seen

by the next generation to have been as futile and mischievous as those of past generations? Many among us who want to go even further with such artificial interferences have no doubt of their vision. But let them not be too confident of it. As John Stuart Mill says of such matters and such people, that which appears to be the height of wisdom to one generation is often clearly seen to be the height of folly by the next.

FAVORITISM IN FREIGHT RATES TO INDIVIDUALS THE MOTHER OF MONOPOLIES.

And since I am on the subject, I desire to particularly apply these remarks to favoritism or discrimination in railroad freight rates to particular shippers. Favoritism in freight rates to cities or localities and favoritism in freight rates to particular individuals come in the same category. They are both absolutely wrong and to be condemned, and they are unlawful (Great applause). They are both interferences with the natural course of commerce, and as I have said, such interferences as long as we know them in history resulted not in benefit to commerce but in injury to commerce and consequently to mankind. Favoritism in freight rates to individuals during the last thirty years in this country has been the great economic crime of our day and generation (Applause). It is wholly indefensible. It was from the beginning and is contrary to law. Some think that it was recently made illegal. Not so. It was illegal from the beginning. Some say it has now stopped. Well, I wish I had learned to wink with my left eye when young, for that would express my doubts more clearly than any words I can use (Laughter). It has not stopped and I shall not live to see it stopped, but it has been mitigated to some extent. The first law of the being of railroads forbids that they should exercise such discrimination, and thereby destroy some shippers in order to build

up others and thereby create monopolies. The Interstate Commerce Commission has now been given the far-reaching power to fix freight rates. How this will work out has yet to be seen. It was the notion of some of us all along—but in time of clamor the moderate voice is seldom heard and still more seldom heeded—it was the notion of some of us all along that what was needed was not that government should undertake the stupendous job of fixing freight rates, but to see that every one was charged and made to pay the very same freight rate for the same service. The great thing to be done was to stop all favoritism in freight rates to shippers, and make every one pay the rate fixed by the company (Applause). The evil in the past has not been so much that rates were too high, but that some shippers were given favorite rates to the great wrong of their rivals (Applause). As a matter of fact, our long-haul rates are the lowest in the world. Our railroads are not private roads with which the railroad companies may do as they please. On the contrary, let it never be forgotten that they are created and enfranchised by government as public highways (Great applause). They are created and exist on this fundamental principle. On this principle they acquired their roadbeds under the Government power of eminent domain—that transcendent power of government to compulsorily take private property for public highways or any other public use, but for no private use whatever. The government cannot take private property for private use. It has not the power. It can only take private property for public use. Being public highways, the very law of the existence of railroads requires that every one be charged by them exactly the same, neither more nor less, for the same or like service, and that no rate favoritism be given to any one (Applause). It was a general violation of this fundamental law of their being which grew into one of the greatest economic evils which any country ever saw. It was not excessive freight rates, but favoritism in freight rates, which caused individual fail-

ures, and the creation of what we loosely call trusts, that is to say, monopolies, all over the country. When one man or set of men in a given business can get their freight carried over these public highways at a rate lower than their rivals have to pay, they can undersell their rivals by that much in the market, namely, by a price that much lower. And in that way, if the favoritism in rate equals or approximates the wholesale profit, they can destroy their rivals and drive them out of business, and thus acquire a monopoly in themselves (Applause). That is how our monopolies—or trusts as we mildly and mistakenly call them—were all created. And then, after they had existed for years—some of them for more than a full generation—came bickering and hair-splitting lawsuits by the government to dissolve them. Let us just remove the artificial cause of their creation and growth and they will disappear fast enough (Applause). The laws of commerce are as regular and recurring as the change of the seasons or the rising and setting of the sun. Do not let a few business men destroy their rivals by favoritism in freight rates, and rivals will come along and outrival them fast enough. Let the great genius of the people of the nation have free and full play in business, with no freight rate favoritism on the public highways, nor any other legal or illegal favoritism to anyone, and monopolies will decay and disappear. A monopoly cannot exist among a free people except by some culpable omission or commission of government or government agencies in the way of favoritism in commerce. And if we do not want trusts, namely, the combination together of the corporations engaged in a certain kind of business, why did we pass and why do we not repeal the statutes which enable such partnerships or combinations of corporations to be formed, namely, the statutes which enable corporations—holding companies, as we call them—to be formed to hold the stock of any number of corporations, and thus make them a business unit or monopoly (Applause)? The courts had held in the Sugar Trust case

and in the Standard Oil Trust case that corporations could not become copartners, or combine in any way, or by any agreement. These holding company acts were passed to frustrate these decisions, and make a legal method for corporations to combine together in business. If I recollect aright, it was in the very same year that we passed our holding company act in New York State that we passed a flaming anti-trust act denouncing penalties on combinations and monopolies. How farcical that will appear to the future historian! He will have to say that our Legislature was guilty of mere demagoguery, or else that we were so ignorant in economic matters that we really did not know what we were doing.

I listened with deep interest to the magnificent report of your chairman, Hon. J. Hampton Moore. As soon as I heard it I knew that it should have been read first of all, with all deference to the orators who have spoken with the watch under their hands to see that they did not exceed the twenty minutes—or one hour and a half (Laughter and applause). The lasting impression and the lasting interest of all that has been said and done here will linger in the history of this matter around the report of your chairman, whom I hope you are going to re-elect to-morrow (Applause).